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REPORT OF THE CHIEF, BUREAU OF  
INSULAR AFFAIRS.

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REPORT  
OF THE  
**CHIEF OF THE BUREAU OF INSULAR AFFAIRS**  
TO THE  
**SECRETARY OF WAR.**

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WAR DEPARTMENT,  
BUREAU OF INSULAR AFFAIRS,  
*Washington, December 19, 1912.*

SIR: I have the honor to submit the following report of the Bureau of Insular Affairs for the past year:

**PHILIPPINE ISLANDS.**

**LEGISLATION ENACTED BY THE SIXTY-SECOND CONGRESS, SECOND  
SESSION.**

**PHILIPPINE CITIZENSHIP.**

In accordance with the recommendation repeated for several years by the Philippine Commission and this bureau, and supported by the Secretary of War, Congress by the act of March 23, 1912, amended section 4 of the organic act of the Philippines, defining Philippine citizenship, so as to give the insular legislature authority to extend by law Philippine citizenship to certain Filipinos excluded by the terms of the organic act and to admit as citizens of the Philippines such other persons residing in the islands as could become citizens of the United States were they residents therein. This was the only legislation affecting the Philippines enacted during the last session of Congress.

**PENDING AND NEEDED LEGISLATION.**

Various bills affecting the Philippines were introduced or considered during the last session of Congress without reaching the stage of completed legislation. A number of these were in support of recommendations made by the Philippine Commission, this bureau, and the Secretary of War. Others were introduced without suggestion from those connected with the executive direction of insular affairs, and, in some instances, in opposition to the recommendations.





There are, in the view of this bureau, but few Philippine matters now demanding immediate legislative action by Congress, but some of these few are of especial importance.

#### INCREASE OF LIMIT OF BONDED INDEBTEDNESS FOR PUBLIC WORKS.

The extension of this limit, now fixed at \$5,000,000, has been repeatedly urged, and a detailed statement has been submitted to Congress showing the expenditure of the proceeds of the outstanding bonds as well as the expenditure of relatively large amounts for public works from the ordinary revenues of the islands. The current revenues, however, are not sufficient to warrant continued expenditure of the amounts required for needed improvements, while the amounts already expended have been obtained in part by reducing the needed allotments for school and other important purposes. The Philippine Commission for the last three years has requested authority to issue bonds for public works to an additional amount of \$15,000,000, not more than two and a half millions to be expended in any one year. This is a modest request in view of the pressing needs of the islands and in comparison with the amounts expended from time to time by many of our States and some of our municipalities. The Philippines have an area of some 115,000 square miles of scattered territory and a population in 1903 of 7,635,426, while Pennsylvania, having in 1910 a population of 7,665,111 inhabiting 49,000 square miles of compact territory, is contemplating a debt of \$50,000,000 solely for the improvement of its public highways.

The bonded indebtedness of the Philippine government at present is limited to two issues, the friar-land bonds, \$7,000,000, and the public works permanent improvement bonds, \$5,000,000, while municipal bonds have been issued only for the city of Manila, \$4,000,000, and the city of Cebu, \$125,000. The following table shows, comparatively, the per capita debts of various countries, many of which must be considered less prepared than the Philippines to support the burdens shown:

Countries.	Per capita debt.	Per capita interest.	Countries.	Per capita debt.	Per capita interest.
New Zealand.....	\$363.05	\$11.58	Haiti.....	\$24.05	\$1.26
Uruguay.....	124.81	7.67	Turkey.....	22.95	3.21
Argentina.....	91.50	4.38	Santo Domingo.....	19.97	1.78
Chile.....	47.10	1.93	Mexico.....	14.50	.87
Servia.....	44.88	2.23	Venezuela.....	14.42	.72
Egypt.....	40.95	1.56	United States.....	10.88	.23
Brazil.....	38.60	1.36	Ceylon.....	6.54	.34
Cuba.....	28.76	2.01	Colombia.....	5.26	.30
Japan.....	26.00	1.45	Philippine Islands.....	1.50	.06

The immediate necessities in the way of public works in the Philippines which can not at this time be well met from the current revenues include new wharves at Manila and the improvement of the Pasig

River, which, in effect, is a part of the port of Manila, and a new arrastre plant for freight handling at the Manila customhouse, \$1,000,000; similar improvements at Iloilo and Cebu, \$400,000; improvement of the port of San Fernando, La Union, \$400,000; improvements of other ports, \$400,000; irrigation projects, \$1,000,000, and a capitol building. This building is designed to be erected in sections as the needs of the insular government grow. The present offices are far too crowded and the present demands warrant expenditure for this purpose of \$1,000,000.

Other permanent improvements needed include new customhouses at Manila and Iloilo, school and university buildings in Manila, provincial hospitals, bridges, etc. It is estimated that at the rate of constructing roads now possible from current revenues it will require 25 years to complete the roads at present necessary. The growing industries of the islands make a constantly increasing demand for good roads, and when it is remembered that the Americans found such roads practically unknown away from the immediate vicinity of the larger cities, the importance of this work becomes manifest. Densely populated areas elsewhere in civilized countries have had the benefit of much effort in this way on the part of preceding generations; but in the Philippines the lack of roads threatens to become an increasing handicap to Filipino progress.

The preparedness of the Philippine government to assume the responsibility of an addition to its bonded indebtedness is apparent from an analysis of its receipts and expenditures:

	1911	1912
Revenues.....	\$12,722,760.22	\$15,623,836.09
Expenditures:		
Fixed charges.....	1,609,399.01	1,389,931.47
Public works from revenues.....	2,899,577.16	3,338,963.85
Administrative expenses, including aid to provinces.....	9,179,583.38	10,791,013.61
Total expenditures.....	13,688,559.55	15,519,908.93
Excess expenses over revenues for 1911.....	965,799.33	
Excess revenues over expenses for 1912.....		103,927.76

<sup>1</sup> This amount includes \$1,698,513.82, transferred from the gold-standard fund to the general funds in the treasury, omitting which the revenue for 1912 was \$13,925,322.87, or an increase of \$1,202,562.65 over 1911

Even the cost of carrying \$15,000,000 additional bonded indebtedness at 4 per cent interest, with a 3 per cent sinking-fund provision, would be less than one-third of the amount from the current revenues devoted in 1912 to public works.

The outstanding friar-land bonds amount to \$7,000,000, but these are by law to be redeemed largely through the sale of the land purchased. The only remaining liability of importance to the Philippine government lies in its guaranty of interest on certain railway bonds, which is so carefully protected as to make it no more than a temporary burden.

1. The first part of the paper discusses the importance of maintaining accurate records of all transactions. It emphasizes that proper record-keeping is essential for the integrity of the financial system and for the ability to detect and prevent fraud.

2. The second part of the paper examines the various methods used to collect and analyze data. It highlights the need for a systematic approach to data collection and the importance of using reliable sources of information. The paper also discusses the challenges of data analysis and the need for specialized software and techniques.

3. The third part of the paper focuses on the role of the auditor in the financial reporting process. It discusses the responsibilities of the auditor and the importance of maintaining independence and objectivity.

4. The fourth part of the paper discusses the importance of communication in the financial reporting process. It emphasizes the need for clear and concise communication between the auditor and the management of the company being audited.

5. The fifth part of the paper discusses the importance of the audit report. It emphasizes that the audit report is a key document in the financial reporting process and that it must be prepared with care and attention to detail.

6. The sixth part of the paper discusses the importance of the audit process. It emphasizes that the audit process is a continuous one and that it must be carried out in a systematic and organized manner.

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During the last session the Senate passed a bill—S. 4762—which is now with the House Committee on Ways and Means, increasing the limit of bonds for public works to \$15,000,000. This would mean authority for the issue of bonds for \$10,000,000 in addition to the bonds now outstanding. The Committee on Insular Affairs, however, had reported on March 4 a bill—H. R. 20049—providing for only \$5,000,000 additional. It is hoped that the Senate bill may be favorably considered by the House or the limit fixed by the House bill may be increased, so that at least the limit of \$15,000,000 may be authorized without the necessity of again appealing to Congress.

#### SILVER-CERTIFICATE RESERVE.

Section 8 of the "Act to establish a standard of value and to provide for a currency system in the Philippine Islands," approved March 2, 1903, authorizes the use of silver certificates on the deposit of coined silver pesos in the Philippine treasury, and provides that the coin so deposited shall be retained in the treasury and held for the payment of silver certificates on demand and used for no other purpose.

It has been found in the Philippines, as elsewhere, that the certificates are far more convenient as a circulating medium than the coin, and as a result there is at present in circulation ₱20,000,000 of the silver coinage and ₱24,000,000 of the silver certificates. The requirement that only coined silver shall be held in the reserve resulted in an inconvenience, which was partly remedied by the act of June 23, 1906, which provided that the treasurer of the Philippine Islands, with the approval of the Governor General, might substitute for such silver pesos on deposit gold coin of the United States, which was not to exceed 60 per cent of the total amount of certificates outstanding. This had the twofold effect: First, of permitting an increase in the currency without awaiting the coinage of additional pesos, and to this extent was desirable; and, second, of materially increasing the intrinsic value of the reserve. The latter was incidental and of no particular value, in that the reserve had been sufficient from the first.

Experience has now demonstrated the advantage of two modifications of the certificate-reserve requirement: First, the great convenience and added safety of keeping part of this reserve in the United States rather than in the Philippine Islands; second, the Philippine government should be permitted to profit by the safe and conservative use of a part of this reserve. It is believed that the government should be authorized to invest 60 per cent of such reserve in safe securities or to deposit on proper security this amount at interest in banks in the United States or the Philippine Islands.

A bill which would make effective this recommendation was introduced in the Senate at the last session (S. 4756), and the early consideration of this bill is recommended.

TO RESTORE LEGISLATIVE CONTROL OVER ALLOTMENT OF INTERNAL-REVENUE COLLECTIONS TO THE PHILIPPINE LEGISLATURE.

At the time the Philippine tariff act of 1909 was under consideration only 40 per cent of the internal revenue collected in the islands accrued to the general government thereof. To meet a possible reduction in income from customs duties under the new law section 5 of the customs tariff act of August 5, 1909, gave to the Philippine Commission authority to allot the internal revenues without awaiting action of the Legislature. Pursuant to this authority, the Philippine Commission passed an act, No. 1964, under which 60 per cent of the internal-revenue collections subject to apportionment was allotted to the insular government, with the proviso that the amount set aside for provinces and municipalities should not exceed the amount so allotted in the fiscal year 1909. Following the establishment of free trade between the United States and the islands the internal-revenue collections showed marked gains, and under the reapportionment the provinces and municipalities received annually only the same amount as in the fiscal year 1909, while the increase accrued to the insular government. The act of August 5, 1909, provides:

*And provided further,* That, until action by the Philippine Legislature, approved by Congress, internal revenue paid into the insular treasury as hereinbefore provided shall be allotted and paid out by the Philippine Commission.

On February 1, 1912, the Philippine Legislature enacted as Act No. 2127 a bill which had been introduced in the Philippine Assembly. The effect of this act, when approved by Congress, will be to return to the Philippine Legislature jurisdiction of the apportionment of internal-revenue taxes and to modify the existing rule of apportionment so as to require that annual allotments to provinces and municipalities shall be 28 per cent of the total, but not less than the allotments of 1909, whereas the present law allots to them 40 per cent of the total but not more than was allotted in 1909. This will give to the provinces and municipalities participation in future increases.

That this act might receive the affirmative approval of Congress necessary to make it effective, the President, by his message of April 30, 1912, transmitted it to the Senate and House of Representatives, neither of which, it appears, took any action thereon during the last session further than to refer it to committees. While it is therefore in the nature of pending legislation, it is not the subject of any bill or resolution so far introduced. Since congressional approval of this action of the Philippine Legislature means merely to return to that body jurisdiction properly pertaining thereto, delay in approving





the measure must operate to some extent in derogation of the powers of the insular legislature and produce an effect contrary to the purpose of Congress as expressed in the law quoted. It is therefore recommended that a bill or resolution to accomplish the purpose desired be introduced and its passage urged during the present session of Congress.

INCREASE OF AMOUNT OF LAND THAT MAY BE HOMESTEADED AND AMENDMENT OF LAW GOVERNING MINING CLAIMS.

In the last report of this bureau legislation was recommended for—

(1) Increase of amount of land that may be homesteaded from 16 hectares (39.5 acres) to 50 hectares (123.5 acres), and the amount of land that may be sold to an individual from 16 hectares to 500 hectares (1,235.5 acres), and authority to give free title to those who have occupied lands, within the limit of 50 hectares, for five years and cultivated it for three years prior to filing petition for title. There are some 60,000,000 acres of public lands in the Philippines, 20,000,000 of which are classed as agricultural lands. One immediate need of the islands is agricultural development. A wise regard for the future dictates restraint in the allotment of land, but the future plainly is not to be benefited by a total neglect of the present, and experience has shown that the existing authority is insufficient to encourage settlement and cultivation to the extent essential to present material progress. The proposed limit is well within the bounds of safety and is fully warranted by the amount of public lands awaiting disposition. This does not affect the amount of public lands that may now be sold to a corporation or association, though it is believed that even this limit, 1,024 hectares (2,530.3 acres), might wisely be reasonably increased.

(2) Amendment of existing law to admit the filing of more than one mining claim on the same vein or lode by the same person, corporation, or association; to facilitate the taking up of claims for placer mining or mines under water; and to extend the time for development of coal claims from one year to three years. There are undoubtedly mineral possibilities in the Philippines, how great is unknown and probably undiscoverable under the present restrictions. In nearly all cases such traces as have been found are in wild and inaccessible parts, and the expenses attached to transportation, even if found in paying quantities, is too great in the general case to warrant mining operations on any important scale under the limitations now imposed. As in the case of other public lands, it is believed that possible present prosperity should not altogether be sacrificed to the future.

The recommendation for the necessary legislation is renewed.

PUBLIC ORDER.

The condition of peace and good order prevailing throughout the Archipelago at the date of the last annual report has continued generally throughout the year just passed. The disarmament of the

Moros was practically completed with but little serious disorder, and another temptation to rapine and bloodshed among these fanatical peoples thereby removed.

### RAILROADS.

#### THE MANILA RAILROAD CO.

Progress in the northern (unguaranteed) and southern (guaranteed) lines of Luzon continued. At the end of the fiscal year the lines in operation, under construction, and projected were as follows:

	Northern lines.	Southern lines.	Total.
	<i>Kilometers.</i>	<i>Kilometers.</i>	<i>Kilometers.</i>
Lines in full operation.....	477. 202	227. 558	704. 760
Lines in construction operation.....		14. 579	14. 579
Lines under construction.....	30. 990	110. 208	141. 198
Lines projected.....	58. 614	387. 591	446. 205
	566. 806	739. 936	1,306. 742

*Northern lines.*—The extension from Dagupan to San Fernando is in operation to Aringay North, and the line from Paniqui to Tayug as far as Rosales. Construction is proceeding on both lines. Additional shop facilities are being added.

*Southern lines.*—The following branch lines have been put in operation for their entire length:

Manila to Cavite and Naic.

Luta to Batangas and Bauan.

Calamba to Magdalena and Pagsanjan.

The main line south is in operation from Manila to Lusacan, with work progressing toward Lucena. Active work has begun on the connecting link south of Lucena, but no final plans have been submitted to the government.

Revised plans for final location of the Benguet line extending from Aringay to Baguio have been presented to the government for approval, and construction is proceeding from both ends of the line.

#### THE PHILIPPINE RAILWAY CO.

Construction work has been completed on both the Cebu and Panay divisions, and no further construction is contemplated for the present. The lines in operation are:

Trackage.	Cebu.	Panay.	Total.
Length of main line .....kilometers..	95. 60	116. 40	212. 00
Spurs .....do.....	3. 23	2. 33	5. 56
Sidings .....do.....	14. 72	18. 82	33. 54
Total trackage.....do.....	113. 55	137. 55	251. 10





The other railways in operation are:

Manila Electric Railroad & Light Co.....	kilometers.....	47.4
Manila Suburban Railways Co.....	do.....	9.9
Tarlac Railway Co. (not now in operation).....	do.....	20.6
Daet Tramway Co.....	do.....	7.2
Insular Coal Co.....	do.....	12.0
Total of all completed lines.....		1,034.9

#### POSTAL SAVINGS BANKS.

The last year witnessed a continued growth of the postal savings bank system both in number of offices and depositors, the latter increasing 24 per cent. That nearly two-thirds of the depositors are under 23 years of age shows the potential influence of these banks upon the younger generation of Filipinos.

*Number of open accounts on June 30, 1912.*

	Total number of ac- counts.	Per cent of total.
Americans.....	4,720	13.19
Filipinos.....	29,555	82.55
Europeans.....	886	2.48
Asiatics.....	590	1.64
Societies.....	51	.14
Total.....	35,802	100.00

#### *Comparative statement, 1911-1912.*

	Net deposits.	Number of open accounts.	Total banks in opera- tion.
June 30, 1912.....	P2,388,986.42	35,802	437
June 30, 1911.....	2,099,474.49	28,804	414
Gain during year.....	289,511.93	6,998	23

#### PHILIPPINE CURRENCY.

The Philippine coinage system has continued to afford a convenient currency, its parity with gold being assured by a gold standard fund to which all seigniorage and earnings from the sale of New York exchange, as well as interest received from depositaries, are credited. During the last few years the earnings grew so large that it was deemed wise to limit the fund to 35 per cent of the outstanding circulation, exclusive of silver certificates protected by a gold reserve. On December 8, 1911, the Philippine Legislature accordingly passed an act (No. 2083) authorizing this limitation and releasing (to June 30, 1912) from the gold standard fund a total of \$1,698,513.82. The transfer of this amount to the general funds of the insular treasury was of great assistance in meeting the general

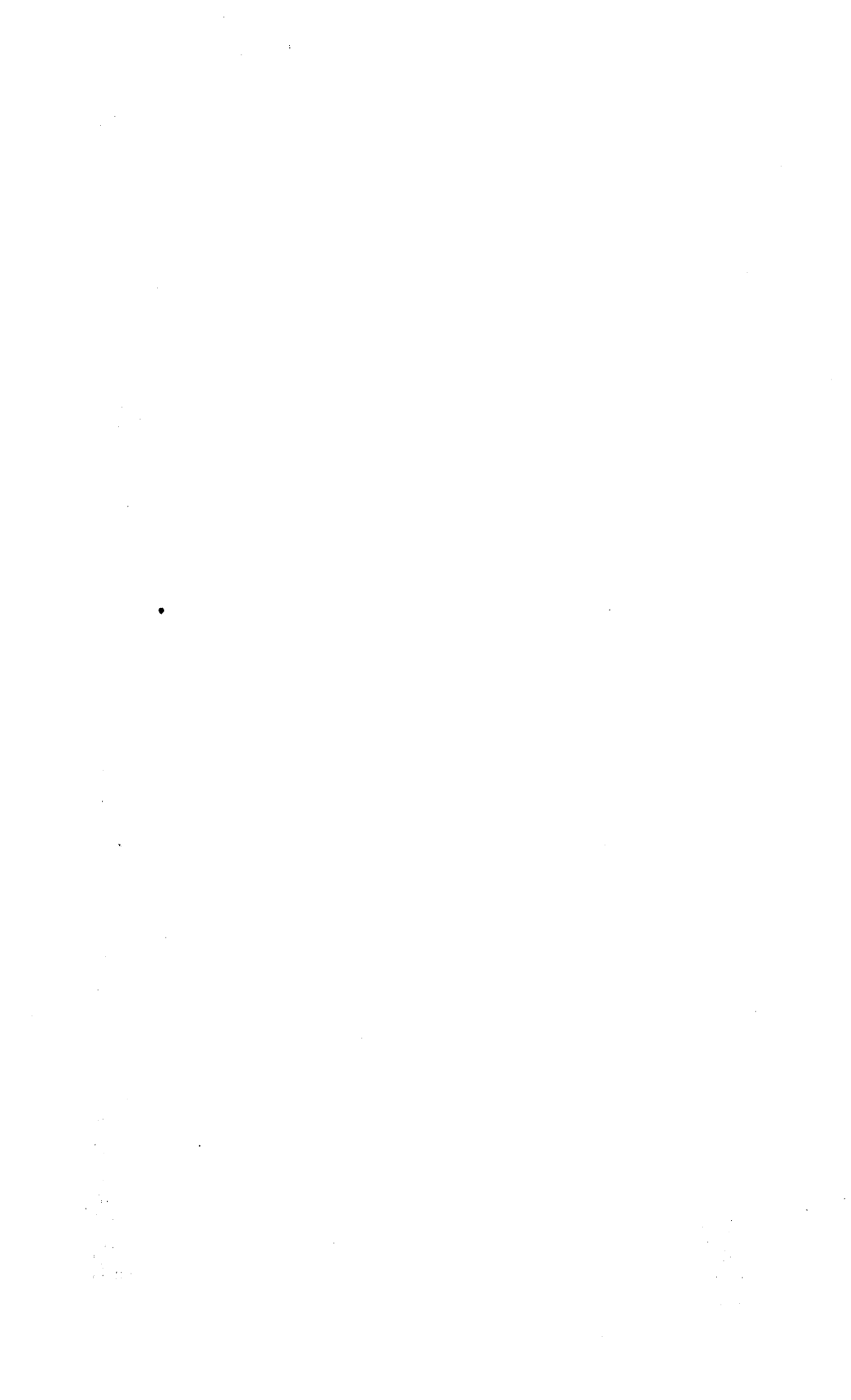
needs of the government, but particularly in the construction of public works, as elsewhere shown in this report.

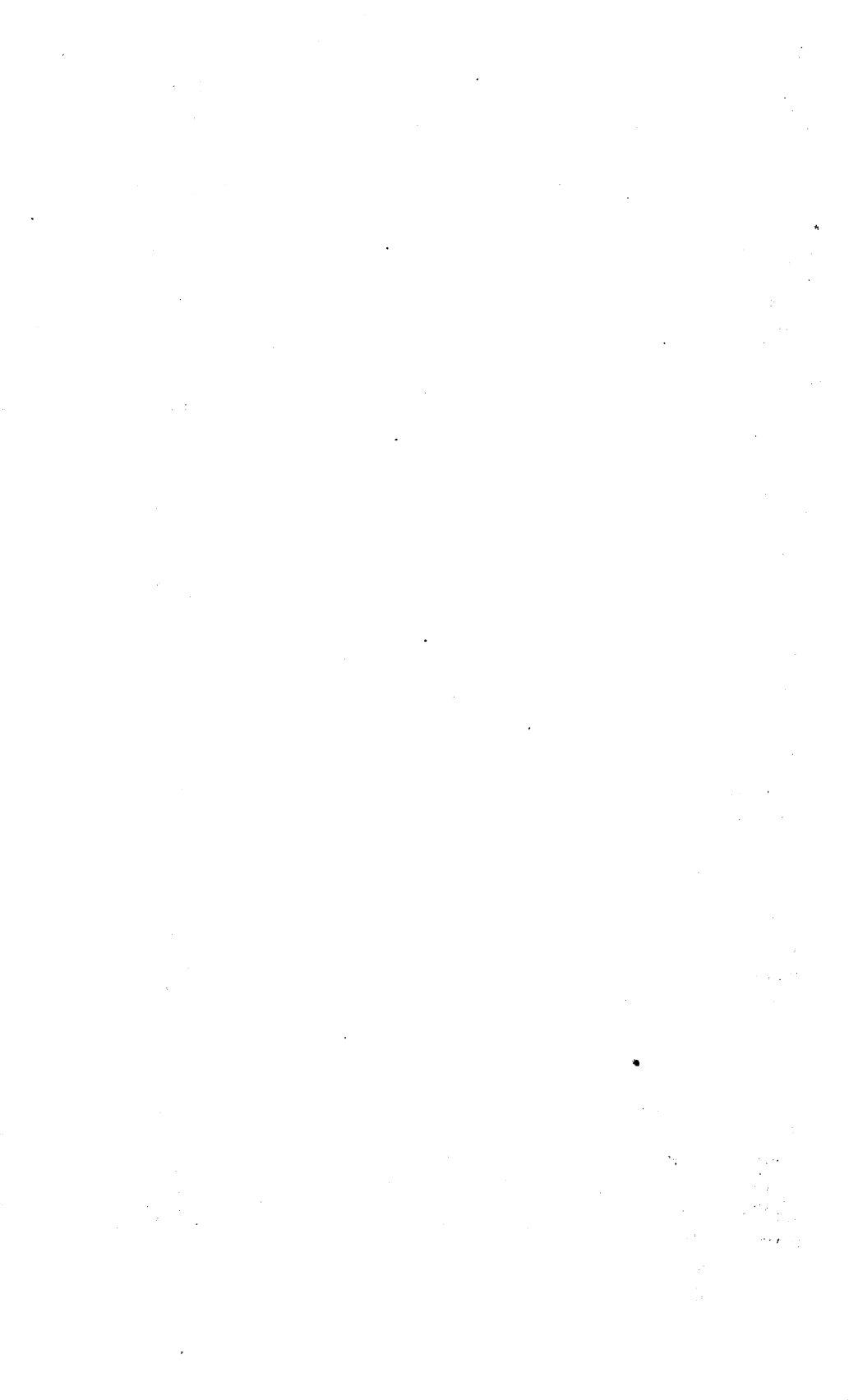
Moreover, the complete public confidence in the carefully protected Philippine coinage system has long made it evident that a reasonable proportion of the gold-standard fund could properly and usefully be used in some manner other than depositing it at interest with the various banks designated for that purpose. The Legislature accordingly provided, in the same act, that not more than one-half of the fund might be loaned for not exceeding 10 years to municipalities and provinces for much needed public works at 3 per cent per annum. There was also included a further provision that not exceeding one-half of the amount thus loanable might be loaned for a period not to exceed 30 months to the Manila Railroad Co. at 5 per cent interest to aid in expediting the completion of important sections of railroad on certain specified lines.

The effect of this provision for loans to municipalities and provinces is broader than appears at first sight. Heretofore in the absence of sufficient demand for secured deposits in the islands to enable the government to place more than a minor part on deposit in Manila, the greater part of the fund had been necessarily deposited in banks of the United States which furnished ample security. At the same time, owing to the active demand for money at higher interest rates, there was no established market in the islands for provincial or municipal bonds bearing low rates of interest, although the current revenues of these local governmental bodies are unequal to the needs for additional schoolhouses, markets, water systems, and other public works. This act has made available for this purpose an initial fund of about four and a half million dollars. As showing the awakening of public spirit throughout the islands, it is interesting to note that 250 municipalities have filed applications for loans for the construction of markets, besides numerous applications for loans for waterworks, etc.

Acting within its exclusive general legislative jurisdiction over all that part of the Philippine Islands inhabited by Moros or other non-Christian tribes, the Philippine Commission has enacted the necessary legislation to make a proportion of the funds available to them.

The provision relating to loans to the railroad is important as, under the stringent regulations requiring the completion of each 20-mile continuous section before the corresponding amount of bonds can be sold, it has been difficult to finance the simultaneous construction of sections on the numerous lines or branches in such a way as to expedite their completion. The security for these loans is unquestioned and the quickening of railway construction already evidenced shows the soundness of the action taken.





The law limits the amount of coinage to ₱75,000,000, of which there has been coined a total of ₱52,205,545.07, which gives a net per capita circulation of Philippine currency of ₱6.53, or \$3.27, if we estimate the present population at 8,000,000. This does not include United States currency and coin in circulation in the islands, the aggregate of which is unknown, the insular treasury holding \$2,651,683.41 on June 30, 1912. This small circulation, taken in connection with the present state of trade, indicates that the time is probably not distant when steps to increase the volume of currency may become necessary.

#### SILVER COINAGE.

During the fiscal year ₱278,000 in Philippine silver coin and Pfs. 42,703.40 Spanish-Filipino coin were shipped to the San Francisco Mint for recoinage under the act of Congress approved June 23, 1906. The total Philippine silver coin of the first issue shipped for recoinage under this act to June 30, 1912, was ₱29,776,500. New coin was shipped from the San Francisco Mint to Manila during the year to the amount of ₱706,433.80, of which ₱60,000 were copper and the remainder silver. The total shipments of silver coin of the present standard to June 30, 1912, and the minor coinage on hand that date were:

Pesos.....	₱42, 700, 517. 00
50 centavos.....	2, 719, 401. 50
20 centavos.....	1, 630, 341. 40
10 centavos.....	1, 110, 172. 80
5 centavos.....	499, 250. 00
1 centavo.....	521, 076. 37
½ centavo.....	52, 042. 00
	<hr/>
	49, 232, 801. 07

#### PAPER CURRENCY.

During the fiscal year there were prepared by the Bureau of Engraving and Printing of the United States Treasury Department and sent to Manila, ₱1,000,000 in ₱5 notes, ₱3,000,000 in ₱10 notes, ₱4,000,000 in ₱20 notes, and ₱3,000,000 in ₱500 notes, a total of ₱11,000,000.

#### DEPOSITARIES IN THE UNITED STATES.

Since my last report, the United States Trust Co., of Washington, D. C., having acquired the Washington business of the International Banking Corporation, was designated as a Philippine depositary in lieu of the latter institution. The Continental Trust Co., of Washington, D. C., also was designated a depositary, making at present 13 depositaries for the Philippine government in the United

States. The deposits of the treasurer of the Philippine Islands with these depositaries on June 30, 1912, amounted to \$11,446,373.34, as against \$12,908,977.19 on June 30, 1911.

#### BONDED INDEBTEDNESS.

The bonded indebtedness of the Philippine government, including the bonded indebtedness of the cities of Manila and Cebu, has not changed since the last report. It is as follows:

	Amount.	Redeem- able.	Due.
Land-purchase bonds, 4 per cent.....	\$7,000,000	1914	1934
Public works and improvement bonds, 4 per cent.....	2,500,000	1915	1935
Do.....	1,000,000	1916	1936
Do.....	1,500,000	1919	1939
City of Manila sewer and waterworks bonds, 4 per cent.....	1,000,000	1915	1935
Do.....	2,000,000	1917	1937
Do.....	1,000,000	1918	1938
City of Cebu sewer and waterworks bonds, 4 per cent.....	125,000	1921	1941
Total.....	16,125,000		

#### PURCHASE OF SUPPLIES.

During the fiscal year the bureau received from the Philippine government 1,195 purchase requisitions by mail and 87 requisitions by cable, as against 1,013 and 101, respectively, for the previous year. There was disbursed by the bureau for supplies, bought for the Philippines, and for expense of purchase, shipment, etc., \$1,373,-689.69, as against \$904,799.66 for the preceding year.

Requisitions for supplies received by the bureau from the Philippines, as well as from Porto Rico and the general receiver of Dominican customs, are executed through the agency of the bureau maintained in New York City.

#### DISBURSEMENTS.

Disbursements of Philippine revenues by the disbursing agent of the bureau for the fiscal year were \$2,654,983.07, and the total disbursements from May 20, 1901, the date of the inauguration of the disbursing office, to June 30, 1912, amount to \$41,920,320.75.

#### COMMERCIAL STATISTICS.

In the belief that detailed information concerning foreign trade would prove of more value than a condensed statement even at more frequent intervals, the Quarterly Summary of Commerce of the Philippine Islands has been made a semiannual publication and, under the title of "Foreign Commerce of the Philippine Islands,"





gives trade data in much fuller detail. While the commercial movement will be presented at intervals of six months, it is proposed in this amplified form, and by the addition of supplementary tabulations, to present something more than a trade summary in the future and to make the publication conform more nearly to the scope of the statistical annuals of other countries.

The increased commercial activity of the Philippines, inaugurated by free trade with the United States, continued throughout the year, and the aggregate value of imports and exports for the first time exceeded a hundred million dollars.

There was an unprecedented increase in exports, and the total of \$50,319,836 exceeded by more than 25 per cent the previous high values of 1910 and 1911. Imports amounted to \$54,549,980, but as the increase of \$4,716,258 was largely for rice and in the nature of emergency importations to meet conditions created by the disastrous drought of the year the favorable showing of the figures is subject to corresponding discount.

#### IMPORTS.

Imports of merchandise for the fiscal years 1899 to 1912, inclusive, were as follows:

Fiscal years.	From—		Total.
	United States.	Other countries.	
1899 <sup>1</sup> .....	\$1,150,613	\$11,962,397	\$13,113,010
1900.....	1,657,701	18,947,735	20,601,436
1901.....	2,855,685	27,423,721	30,279,406
1902.....	4,035,243	28,106,599	32,141,842
1903.....	3,944,098	29,027,784	32,971,882
1904.....	4,633,216	28,587,545	33,220,761
1905.....	5,761,498	25,114,852	30,876,350
1906.....	4,333,893	21,465,373	25,799,266
1907.....	5,155,359	23,630,496	28,785,855
1908.....	5,079,487	25,838,870	30,918,357
1909.....	4,601,770	23,100,627	27,792,397
1910.....	10,775,301	26,292,329	37,067,630
1911 <sup>2</sup> .....	19,483,658	30,350,064	49,833,722
1912 <sup>2</sup> .....	20,604,155	33,945,825	54,549,980

<sup>1</sup> Aug. 20, 1898, to June 30, 1899.

<sup>2</sup> Figures for 1911 and 1912 include Government supplies and railway free entries.

Imports of foodstuffs amounted to about twenty million dollars, or five million more than in 1911, but while rice and wheat flour were leading items of increase in this important branch of trade, a striking feature was larger values in most classes of foodstuffs. Reduced rice production, which was general throughout the East and resulted in famine prices in the opening months of the year, was also experienced in the Philippines, and required active governmental meas-

ures there as well as in other countries to cope with the situation. The Philippine government became a large purchaser of foreign rice in order to control the rapid advance in price, while elsewhere it was found necessary to place restrictions upon exports. With the marketing of the new crop the situation was somewhat relieved, but prices continued high, while importations continued in increasing volume down to the end of the year, resulting in a value of \$10,569,949—the largest sum ever paid for rice except in 1904—while the average price exceeds all previous records during American occupation. Prices were favorable for the substitution of flour to meet the rice shortage, and American flour found a materially larger market in the Philippines.

Imports of beef cattle as well as draft cattle fell below the figures of 1911, and stringent quarantine restrictions, with a view to checking the spread of disease, influenced the trade movement. The practical prohibition of Australian cattle, which was a feature of the previous year's figures, was modified to the extent of providing for local slaughter under isolated conditions, and a regular trade developed from this quarter. China-coast cattle continued to be excluded, although the Hongkong authorities made overtures toward the end of the year for the restoration of this large and profitable trade of the past; while French Indo-China, as heretofore, furnished the bulk of imports of both carabao and other cattle, although this source was also in a measure affected by quarantine regulations. Australian frozen beef profited by these conditions, and was imported in considerably larger quantities, while the demand for American canned beef surpassed by far all previous records.

In the fiber and textile trade, which ranks second to foodstuffs in importance, silk maintained the general upward movement of recent years, and the minor values under miscellaneous vegetable fibers and wool were without change, but the unprecedented ten million dollar total in the cotton trade of 1911 was not repeated, and this decline, confined generally to the piece goods trade, was the most important reduction in the import figures for the year. Cotton textiles declined from \$7,128,605 to \$5,876,813. The six million dollar iron and steel trade was a nominal increase over the figures of 1911, while mineral oils established a new high record with a value of over a million and a half, and coal imports were materially less.

Imports from the United States were valued at \$20,604,155, against \$19,483,658 in 1911, or 38 per cent of the total against 39 per cent in that year. In the reduced purchases of cotton textiles American goods suffered less than those of other countries as a whole and comprised more than half this trade. Imports of iron and steel were over





two-thirds of American origin, and the larger mineral oil trade of the year was almost wholly from the United States.

#### EXPORTS.

Exports of merchandise for the fiscal years 1899 to 1912, inclusive, were as follows:

Fiscal years.	To—		Total.
	United States.	Other countries.	
1899 <sup>1</sup> .....	\$3,540,894	\$8,826,018	\$12,366,912
1900.....	3,522,160	16,228,908	19,751,068
1901.....	2,572,021	20,642,927	23,214,948
1902.....	7,691,743	16,235,936	23,927,679
1903.....	13,863,059	19,256,840	33,119,899
1904.....	11,102,775	19,147,852	30,250,627
1905.....	15,668,026	16,684,589	32,352,615
1906.....	11,579,411	20,337,723	31,917,134
1907.....	12,079,204	21,634,153	33,713,357
1908.....	10,323,233	22,493,334	32,816,567
1909.....	10,215,331	20,778,232	30,993,563
1910.....	18,741,771	21,122,398	39,864,169
1911.....	16,716,956	23,061,673	39,778,629
1912.....	21,517,777	28,802,059	50,319,836

<sup>1</sup> Aug. 20, 1898, to June 30, 1899.

The increase of ten and a half million dollars in exports was chiefly due to greatly increased quantities of copra marketed at increased prices, a larger output of sugar, and an improved cigar trade. Copra prices further advanced and established another high record in the year's average, while the quantity exported increased from 113,775 to 166,667 long tons. Of the four great export staples of the islands, copra was the latest to develop into prominence, and it has been characterized by rapidly growing importance in the past few years. With a value of \$16,514,749 in 1912, it took for the first time foremost place in Philippine exports, with an increase of \$6,615,292 for the year.

Manila hemp, which heretofore has held front rank, continued to suffer from the low prices prevailing in recent years, and exports declined from 163,033 to 151,554 long tons, though there was a marked improvement in prices in the latter part of the year, and the reduced quantity yielded a slightly greater return to the industry than the larger output of 1911.

The average export price of sugar was a little higher than in the previous year, while the quantity increased from 147,016 to 183,077 long tons, valued at \$10,400,575. The large remainder of the old crop of 1910-11 was marketed too early to obtain the full benefit of high prices created by depleted stocks and the shortage in the European beet crop during the closing months of the calendar year 1911.

The new crop, which was seriously affected by the drought, moved slowly under declining prices and little demand, and large quantities were reported held in the warehouses of Iloilo at the close of the year. This is attributed to the lack of interest taken by the American market in the Philippine product, even though duty free, when brought into competition with a record-breaking output and abundant supply of near-by, high-grade Cuban sugar. The year has witnessed the installation of the first modern mills, capable of producing 96° centrifugals, and the recent market experience serves to show the importance of raising the standard of Philippine sugar if it is to get the full benefit of free trade.

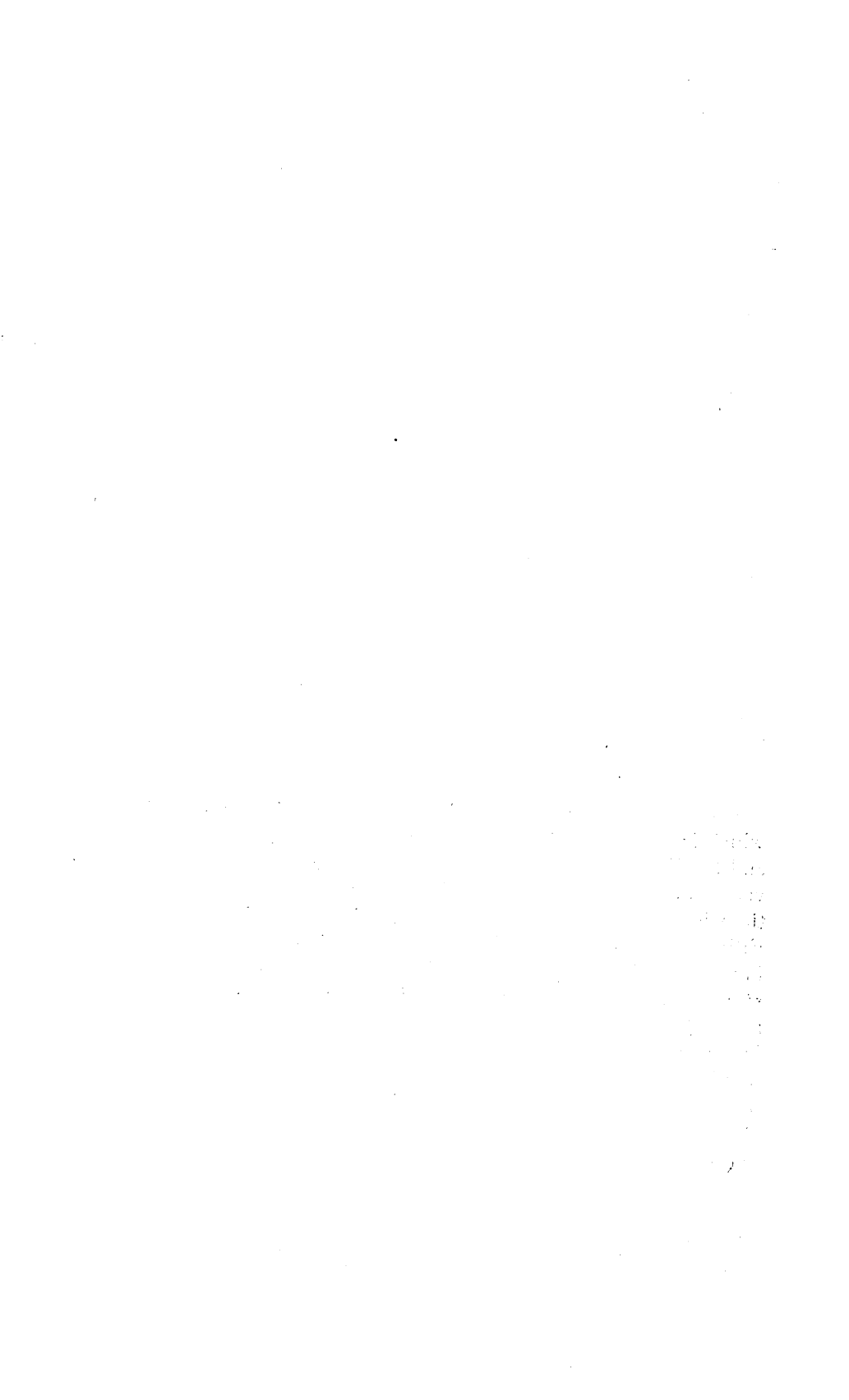
Exports of manufactured tobacco did not differ materially from the figures of 1911 in either quantity or value, but greatly increased activity was shown in the cigar trade, due to the steady recovery in the American demand from the serious depression following heavy shipments of the first year of free trade. This recovery was manifest in the closing months of the previous year, and during 1912 grew from a monthly trade of about two and a half million to seven and a half million, with shipments during the year aggregating sixty-eight million, against twenty-three million in 1911 and eighty-four million in 1910. The cigar trade of other countries remained close to the million-dollar average of former years, and the average price was less than half that of the American trade.

Exports to the United States amounted to \$21,517,777, an increase of nearly \$5,000,000 over 1911. Sugar was the leading item, with a value of \$9,142,833. Manila hemp, which heretofore has held first place in American purchases, amounted to \$7,751,489. Shipments of copra to the United States doubled in value and amounted to \$2,339,144, but were a relatively small part of this growing trade, which has from the first found its best market in the great vegetable-oil manufacturing center of Marseille. Leaf tobacco shipments were made to only a nominal value, but cigar exports to the United States exceeded in value those to all other countries combined. The third year of free trade shows that 72,000,000 cigars and 159,000 tons of sugar found an American market, leaving a considerable margin still for trade development up to the limit of 150,000,000 cigars and 300,000 tons of sugar given entry into the United States.

#### INSULAR RECEIPTS AND DISBURSEMENTS.

The Philippine Government continued self-supporting during the past year, as it has been since its organization. The following comparative statement of insular receipts and disbursements of the Philippine Islands, exclusive of all items of a refundable character,





covers the fiscal years ended June 30, 1911, and June 30, 1912, expressed in United States currency:

	Fiscal year 1911.	Fiscal year 1912.
CREDITS.		
Balances from prior years.....	\$6,394,793.56	\$8,239,312.93
Revenues:		
Customs.....	8,272,397.78	8,908,123.64
Internal.....	4,134,876.06	4,729,710.67
Miscellaneous.....	315,486.38	287,488.56
Surplus—gold-standard fund.....		1,698,513.82
Total revenues.....	12,722,760.22	15,623,836.69
Other receipts.....	54,887.62	
Supplies.....	2,755,431.08	
Total credits.....	21,927,872.48	23,863,149.62
DEBITS.		
Expenditures:		
Bureaus and offices.....	8,318,051.56	9,638,369.80
Miscellaneous.....	718,232.32	381,496.15
Fixed charges.....	1,609,399.01	1,389,931.47
Aid to provinces.....	143,299.50	144,655.00
Public works.....	2,899,577.16	3,338,963.85
	13,688,559.55	14,893,416.27
Supplies transferred and dropped.....		626,492.66
		15,519,908.93
Surplus:		
Cash.....	3,933,338.69	3,793,632.00
Supplies.....	2,755,431.08	2,657,344.03
Other.....	1,550,543.16	1,892,264.66
Total debits.....	21,927,872.48	23,863,149.62

<sup>1</sup> This item is \$3,700 less than shown in our report for 1911, being the result of an adjustment of an error in the surplus account for that year.

#### PHILIPPINE LEGISLATURE.

The last regular session of the second Philippine Legislature, which is composed of the Philippine Commission as the upper house and the Philippine Assembly, whose members are chosen by popular vote, as the lower, continued with the preceding sessions to confirm the wisdom of the grant of a representative legislative assembly to the Filipinos, but continued also to reveal the importance of the checks imposed against ill-advised legislation on the one hand and against attempt to block necessary legislation on the other. Generally the relations between the two houses were harmonious and considerable important constructive legislation was enacted. Nevertheless it should be recorded that some proposed legislation plainly unwise was prevented from becoming law only by the refusal of the Philippine Commission to concur, while the failure to pass a general appropriation bill showed the wisdom of the provision in the organic act automatically continuing the preceding appropriations in this emergency.

As constituted now, the Philippine Legislature is filling an important place in training the Filipino leaders in what Mr. McKinley well called "the science of self-government," and in showing how far legis-

lative control may be extended without serious injury to the peoples of the islands.

#### EDUCATION IN THE PHILIPPINES.

In 1909 the Philippine Commission reported that:

But one-fourth of the children of school age are being instructed. There was some agitation on the part of the Assembly for the passage of a law for compulsory attendance upon school. \* \* \* It was not accepted by the Commission on the ground that \* \* \* it would be premature to pass any law for compulsory attendance at schools of children whom we were without funds to educate.

In case Congress is disposed to help the Philippine Islands in the matter of education and push the work faster than the insular treasury can stand, we shall be glad to see a considerable annual appropriation made for education from the National Treasury. An additional amount of \$2,000,000 annually could be spent with great advantage to the islands.

In 1910 and again in 1911 the Commission recommended such an appropriation by Congress, but this bureau has never before directly invited attention to this matter, through the belief that favorable action by Congress in this respect is at present unlikely, as well as because it is not fully convinced of the advisability of the action recommended. The serious nature of the struggle in the Philippines to extend education among the masses of the Filipinos and the tremendous drain on the insular revenues that must follow before wide accomplishment can be obtained is appreciated, as well, of course, as the desirability of spreading education as rapidly as possible. Nevertheless, congressional assistance of this kind would break the record heretofore maintained by the Philippine government of supporting itself without financial assistance from the home Government, and it might furthermore lead to dependence upon this source of revenue for the spread of education and result in complications of a more or less serious character if later this assistance were denied. It is estimated that probably one-third of the children of school age are now being afforded opportunities to acquire at least an elementary education; and while this leaves a vast number still to be reached, many of whom must pass their whole lives without the benefits of education, it is of no less importance that progress along other lines contribute simultaneously with the advance in learning to raising the standards of living in the Philippines. Improved sanitary conditions, new means of communication that will open up regions impracticable to reach now, and other public works are not only essential on their own account but will permit educational facilities to be supplied where it is impossible to furnish them now except at unwarranted expense.

While, therefore, not concurring in this suggestion of the Philippine Commission, the suggestion itself becomes an additional argu-





ment for the increased limit on bonded indebtedness for public works elsewhere urged. With a just share of the public works a charge, as it should be, against the future, it is believed that the proper demands of the present in the extension of education can and should be met by the Philippine government itself.

Philippine standards of living are only to be raised and Philippine progress generally to be encouraged by industrial development of the Filipino peoples. The Philippine government has well recognized this, and a notable feature of its educational program is the opportunities it affords for vocational instruction. There is now an enrollment of about 450,000 Filipino students in industrial courses, and the opportunities offered generally for this important instruction compare favorably with opportunities for such education in the United States.

#### ENGLISH—A COMMON LANGUAGE.

Another feature of prime importance in the educational progress of the Filipinos is the rapid spread of the English language.

The extension of English has not been due to a mere American pride in our own tongue, but to the facts that no other language could offer any hope of becoming the common language of the islands, nor afford such practical benefits even could it be substituted therefor. It is well understood that under existing conditions neither Spanish nor any of the various native languages or dialects could hope to become a common means of communication even within the Philippines, and much less between the Philippines and other countries, while English is not merely now well advanced throughout the Archipelago but is an ordinary commercial language of much of the East. At least three million Filipinos have now had some instruction in this tongue, and to-day more natives speak and write some English than speak and write any other language. English has long been the official language in the Philippines outside of the courts, and under existing law will become the official language of the courts on January 1, 1913. Some misunderstanding has resulted from this fact, and another attempt was made during the last Philippine Legislature to postpone the date when this law should become effective. Fortunately it failed. Any further postponement must retard the spread of English, while its adoption as the "official" language will work no hardship on those lacking knowledge of it, since the use of any language is necessarily permitted where English is not known. The hope of developing any real idea of nationality among the Filipino peoples in the future lies more probably in the spread of a common language than in any other one thing, and English offers the only hope to be raised in this respect.

**PORTO RICO.****GENERAL CONDITIONS.**

For the third successive year exceptionably notable progress, commercial and industrial, is reported from Porto Rico. In his annual report for the year ending June 30, 1912, Gov. Colton states:

The advance made during the year has been more general, marked, and important than that of any previous 12 months in the history of the island, either before or since American occupation.

Eighty-seven per cent of the external commerce of the island for the year was with the United States, its purchases of American goods being exceeded by only 11 countries of the world. The output of all agricultural products was substantially increased, methods of farming have been markedly improved, and the acreage of crops extended, while the conditions for continued improvement remain favorable.

Sugar continued in the place of first importance as an article of export, the quantity reaching 367,000 tons during the year, five times that in 1901.

The number of cigars manufactured was 14 times greater than 11 years before, 170,000,000 being shipped to the United States, and less than one-fourth of the tobacco crop being shipped in the leaf.

The shipments of fruit from the island were valued at \$2,377,762, and cooperative efforts to improve methods of packing and marketing have produced marked results.

The long period of depression in the production of coffee following the destructive hurricane of 1899 seems to be passing, as the crop of 1912 was the largest ever known in Porto Rico. The value of the coffee sold abroad during the year was \$6,754,913. This industry is being extended throughout the mountains of the island, the soil and climate of which are especially adapted to the successful culture of the highest grade of coffee. Heretofore it has been practically unknown to American consumers, but is now being introduced by the Commercial Agency of the Government of Porto Rico, 569 Fifth Avenue, New York City. The insular government has taken an active interest in this matter, believing that consumers need only to know that one of the best coffees produced is grown on American soil to bring about a steady demand for this product.

The external commerce of the island increased approximately \$14,000,000 over 1911, or 17 per cent. The United States purchased Porto Rican products to the value of \$42,873,401, while Porto Rico imports from the home markets reached \$37,424,545.





*Imports and exports.*

Fiscal years.	Imports.	Exports.	Total.
1901.....	\$8,918,136	\$8,583,967	\$17,562,103
1902.....	13,209,610	12,433,956	25,643,566
1903.....	14,449,286	15,089,079	29,538,365
1904.....	13,169,029	16,265,903	29,434,932
1905.....	16,536,259	18,709,565	35,245,824
1906.....	21,827,665	23,257,530	45,085,195
1907.....	29,267,172	26,996,300	56,263,472
1908.....	25,825,665	30,644,490	56,470,155
1909.....	26,544,326	30,391,225	56,935,551
1910.....	30,634,855	37,960,219	68,595,074
1911.....	38,786,997	39,918,367	78,705,364
1912.....	42,926,473	49,705,413	92,631,886

*Exports—Sugar, cigars, and coffee.*

Fiscal years.	Sugar.	Cigars.	Coffee.
1901.....	\$4,715,611	\$306,115	\$1,678,765
1902.....	5,890,302	1,549,235	3,195,662
1903.....	7,470,122	1,753,795	3,970,574
1904.....	8,690,814	1,490,496	3,963,257
1905.....	11,925,804	2,152,051	2,141,009
1906.....	14,184,667	3,074,226	3,481,102
1907.....	14,770,682	4,241,410	4,693,004
1908.....	18,690,504	3,414,140	4,304,609
1909.....	18,432,446	4,383,893	3,715,749
1910.....	23,545,922	4,480,030	5,669,602
1911.....	24,479,346	5,355,223	4,992,779
1912.....	31,554,063	5,086,711	6,754,913

*Value of fruit exports.*

Fiscal years.	Oranges.	Pine-apples.	Canned pine-apples.	Coconuts.	Grape-fruit.	Other fruits.	Total.
1901.....	\$84,475	(1)	(1)	\$8,334	(1)	\$16,992	\$109,801
1902.....	51,364	(1)	(1)	12,720	(1)	9,898	73,982
1903.....	230,821	(1)	(1)	326	(1)	61,956	293,103
1904.....	352,646	(1)	(1)	(1)	(1)	81,214	433,860
1905.....	125,422	(1)	(1)	(1)	(1)	130,478	255,900
1906.....	295,633	\$27,826	\$42,186	129,793	(1)	7,420	502,858
1907.....	469,312	64,831	63,519	174,957	\$7,586	3,737	783,942
1908.....	630,720	172,779	98,203	206,704	44,535	11,320	1,164,261
1909.....	401,912	442,780	117,830	204,498	76,310	18,154	1,261,484
1910.....	582,716	555,044	106,587	218,870	162,749	9,851	1,635,817
1911.....	703,969	641,291	149,744	258,168	309,698	11,123	2,073,993
1912.....	584,414	684,774	258,671	308,883	525,048	15,972	2,377,762

<sup>1</sup>Shipments included under "Other fruits."

The assessed value of property in Porto Rico increased 9 per cent, reaching a total of \$178,275,000, which is practically double the assessed value of 1905.

The total net revenue receipts of the insular government—\$6,665,-348.55—were the largest of any year in its history, and notwithstanding larger disbursements required by the extensions of the public service, the available cash balance in its treasury increased nearly 50 per cent. At the end of the year there remained uncollected only six mills of each dollar of taxes assessed. On June 30, 1912, the total bonded indebtedness of Porto Rico, less sinking-fund accumulations,

was \$4,139,760.40, or \$3.70 per capita and 2.5 per cent of the assessed valuation of property.

A comparative statement of all receipts and disbursements of Porto Rico for the fiscal years 1911 and 1912, expressed in United States currency, follows:

Revenues.	Fiscal year 1911.	Fiscal year 1912.
Customs.....	\$1,065,998.95	\$1,180,592.90
Internal.....	2,571,450.02	2,778,231.32
Miscellaneous.....	349,296.87	410,339.73
Total revenues.....	3,986,745.84	4,369,163.95
Other receipts:		
Repayment of loans to municipalities.....	79,659.81	74,974.82
Repayment of loans to school boards.....	38,943.41	35,098.13
Repayments to appropriations and transfers.....	324,054.70	956,986.53
Total receipts.....	4,429,403.76	5,436,223.43
Expenditures:		
Legislative.....	60,596.60	58,673.37
Executive.....	3,137,017.42	4,022,807.95
Judicial.....	443,366.36	461,383.91
Miscellaneous.....	153,268.01	127,687.61
Total expenditures.....	3,794,248.39	4,670,552.84
Other disbursements:		
Loans to municipalities.....	19,200.00	32,700.00
Loans to school boards.....	17,385.86	294.60
Repayments to appropriations and transfers.....	95,591.31	152,122.20
Total disbursements.....	3,926,425.56	4,855,669.64

### EDUCATION.

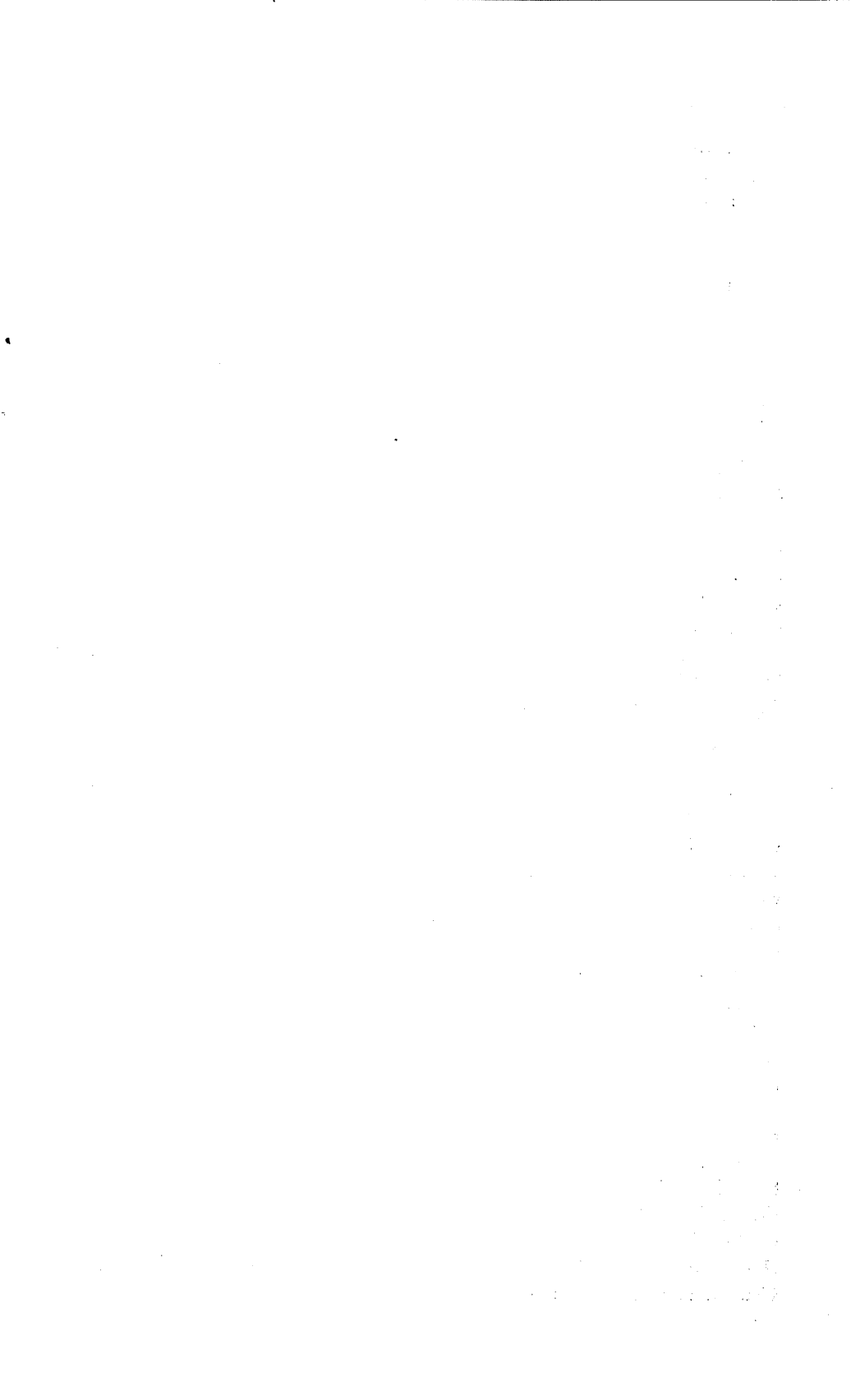
In 12 years of American administration the number of pupils enrolled in the public schools has increased from 20,000 to 160,657. In these years more than \$11,000,000 has been expended upon the insular educational system, while instead of only 1 building erected for school purposes, as was the case prior to 1899, there are now 1,168 such buildings. Nevertheless, while the system has been expanded as rapidly as possible, not half of the Porto Rican children of school age can be cared for with the present classroom accommodations and force of teachers.

### INSULAR LEGISLATION.

The Porto Rican Legislative Assembly legislatively made possible the institution of a vastly improved sanitary service, and so amended the election laws as to insure the secrecy of the ballot, to require that delegates elected be residents or taxpayers within the districts from which chosen, and to provide minority representation in the House of Delegates, as well as to require a new registration of voters. A bureau of labor was also established, with authority to investigate controversies and exercise its good offices for the maintenance of satisfactory relations between employers and employees.

The Sixth Legislative Assembly convened January 8, 1912, and as some matters of importance had not been disposed of within the





60-day limit, a special session was immediately called, the Legislature adjourning finally March 14. Eighty-five laws, which were duly reported to Congress by the Governor, were enacted.

#### HEALTH AND SANITATION.

Maj. Robert E. Noble, Medical Corps of the Army, who had been engaged in the work of exterminating mosquitoes in the Canal Zone, went to Porto Rico in August, 1911, and spent six months instructing officials of the sanitation service in similar work. The result of Maj. Noble's work has been most beneficial. The prevention of typhoid fever and tuberculosis received increased attention and the campaign against anemia was continued throughout the year.

About the middle of June last bubonic plague appeared in an outlying district of San Juan. The disease was promptly discovered and positively identified four days later, when stringent measures were adopted to prevent its spread, and on the 19th its presence frankly proclaimed. The Medical Department of the Army and the United States Public Health and Marine-Hospital Service rendered important aid to the local sanitation service in the campaign for its eradication. Though a total of 30 cases and 11 deaths were reported to June 24, only sporadic cases have appeared since the close of the fiscal year, while the last known case was reported September 11.

#### PUBLIC WORKS.

The irrigation project for the benefit of some 35,000 acres of rich land on the south side of the island has progressed sufficiently to warrant the prediction that it will be completed by the end of 1913. The last year showed also much activity in municipal improvement work and continued progress in road work. At the end of the year there were 1,069 kilometers of macadamized roads under maintenance, while 33 important municipal improvements were either under construction or projected.

Forty-four franchises were granted during the year, including authority for intermunicipal telephone service, which, with the present Government telephone and telegraph lines, should make every point in the island accessible by wire before the end of the present year, and authority for the municipality of Ponce to erect a much-needed pier, at a cost of some \$300,000.

The Legislative Assembly of Porto Rico has authorized a \$500,000 bond issue for water-front improvements at San Juan. It is of particular importance, in this connection, that the dredging of the harbor of San Juan, the survey of which has already been authorized, should accompany the shore improvements, and recommendation to Congress accordingly is urged.

### PURCHASES AND DISBURSEMENTS.

The bureau received from Porto Rico 471 mail and 90 cable requisitions for supplies, which were filled through its New York purchasing office, and disbursed for supplies purchased and expenses of shipment \$525,407.95 of Porto Rican funds.

### FEDERAL LEGISLATION.

Referring to the legislation now pending before Congress respecting Porto Rico, Gov. Colton states in his annual report:

All of this legislation now before Congress is of importance to the welfare of the island. Especially do the people of Porto Rico so consider the citizenship bill. They have waited for more than 10 years to be admitted to American citizenship and it seemed to them during the last session of Congress that their hopes were about to be realized. It is a concession that, while entailing no new obligation or responsibility upon the people of the United States, would be of inestimable value to its recipients. It is therefore earnestly recommended that the enactment of the citizenship bill now pending in the Senate of the United States be urged at the next session of the present Congress.

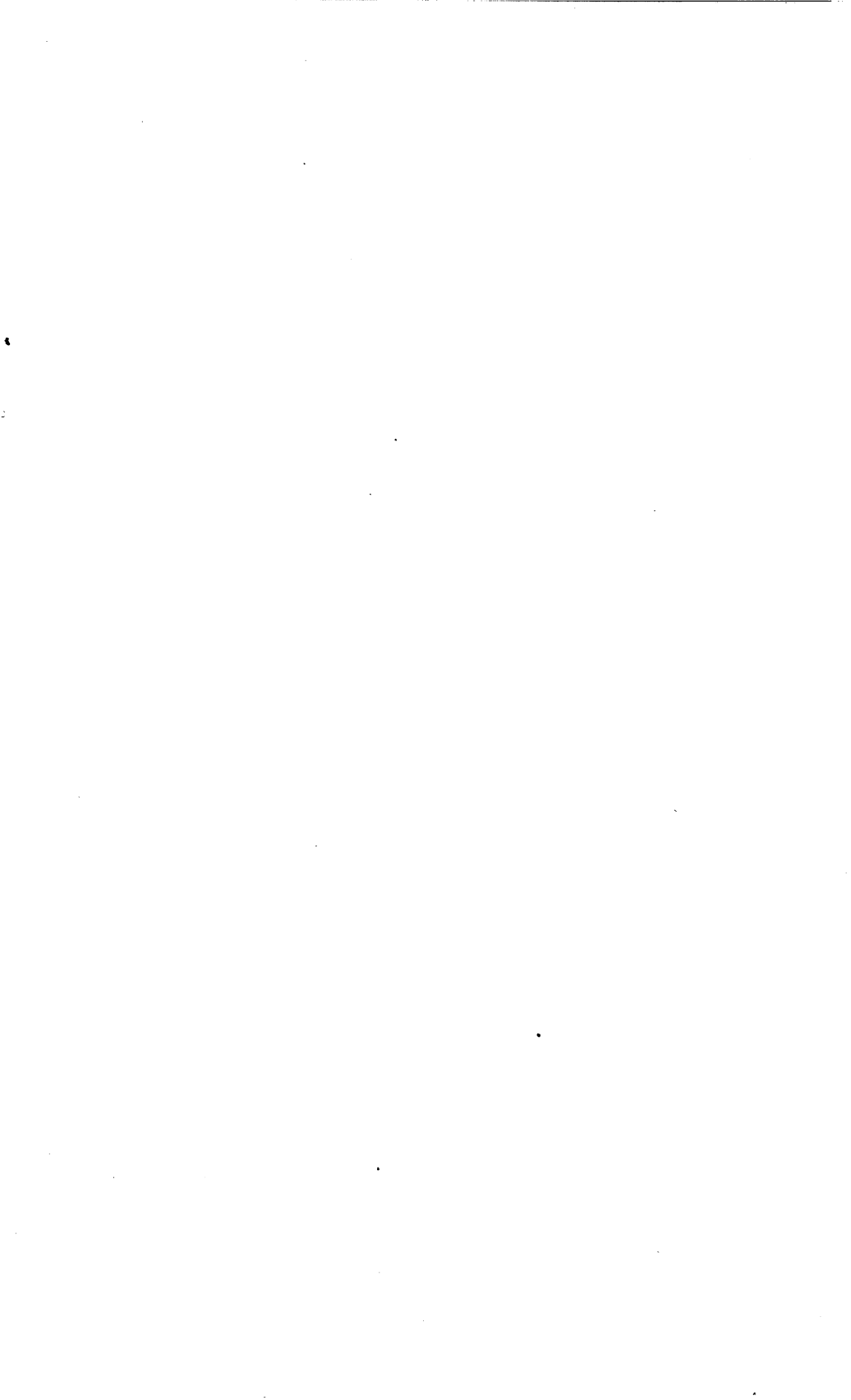
*Citizenship.*—It is the practically universal testimony of everyone familiar with conditions in Porto Rico that the subject of the citizenship of Porto Ricans is the underlying cause of whatever political and social unrest there is in the island. The grant of American citizenship to those Porto Ricans desiring it has been repeatedly recommended by this bureau, successive Secretaries of War, and successive Presidents. It has been promised in the platforms of both political parties, and a bill for this purpose has once passed the House of Representatives. It is very much to be hoped that this grant may be legislatively authorized during the current session of Congress.

*Sanitation.*—While by the action of the Legislative Assembly of Porto Rico in providing an efficient and nonpartisan insular sanitary service has made Federal legislation in this direction of less importance, it is still believed that this bureau should be raised to the dignity of a department of the insular government and that the head of the department should be a member of the Executive Council of Porto Rico.

*Department of Agriculture and Labor.*—Similarly while the insular legislature has provided for a bureau of labor, it is still believed, in view of the importance of agriculture to the island and the number of people that must always be included there in the classification of laborers, that this bureau should properly become a department, with the head thereof a member of the executive council.

*United States district court.*—Among other pending legislation desirable for Porto Rico is a bill providing that a justice of the





Supreme Court of Porto Rico may be designated by the Governor to act as temporary judge of the United States District Court for Porto Rico, or as a special judge thereof, during the absence of the judge of said court or his disqualification to sit in any case or cases before that court. The early enactment of this bill will help to avoid the delay, inconvenience, and expense which results now during the absence or disqualification of the one authorized.

*Municipal judges.*—The recommendation for Federal legislation to provide for the appointment, in lieu of election, of all municipal judges, together with their secretaries and marshals, is renewed.

*Exchange of properties.*—The transfer of certain property of the United States in Porto Rico for other parcels owned by the insular government was recommended in 1909 by the Secretary of War, and during the third session of the Sixty-first Congress the Senate passed a bill authorizing such transfer. This was not acted upon by the House, and the Senate again passed it in the form of an amendment to the sundry civil appropriation bill, which amendment was lost in conference. The Senate passed the measure for the third time on August 22, 1912, and it is hoped that favorable action may be taken by the House during the present session. The Legislature of Porto Rico has enacted the legislation requisite on the part of that Government to make the exchange.

#### DOMINICAN CUSTOMS RECEIVERSHIP.

The fifth year of the operation of the receivership under the convention of 1907 ended July 31, 1912. I regret to record, however, that the record for peace and stability maintained in the Dominican Republic during the former years of the convention and under the two preceding years of the *modus vivendi* was broken during the last year and, following the assassination of President Cáceres on November 19, 1911, a condition of revolution and political and social confusion resulted, which grew worse rather than better throughout the year. In the interests of peace and good order a commission, of which the undersigned was one member, has recently visited and spent several weeks in the island under the direction of the Department of State. This report, covering only the period for the receivership fiscal year ending July 31, 1912, can not properly include the latest developments, which have recently resulted in the resignation of the President of the Republic and the choice of a temporary successor, further than to afford opportunity for the expression of the hope that, through the friendly offices of this country and the changes already effected and promised, political and business stability may soon be restored.

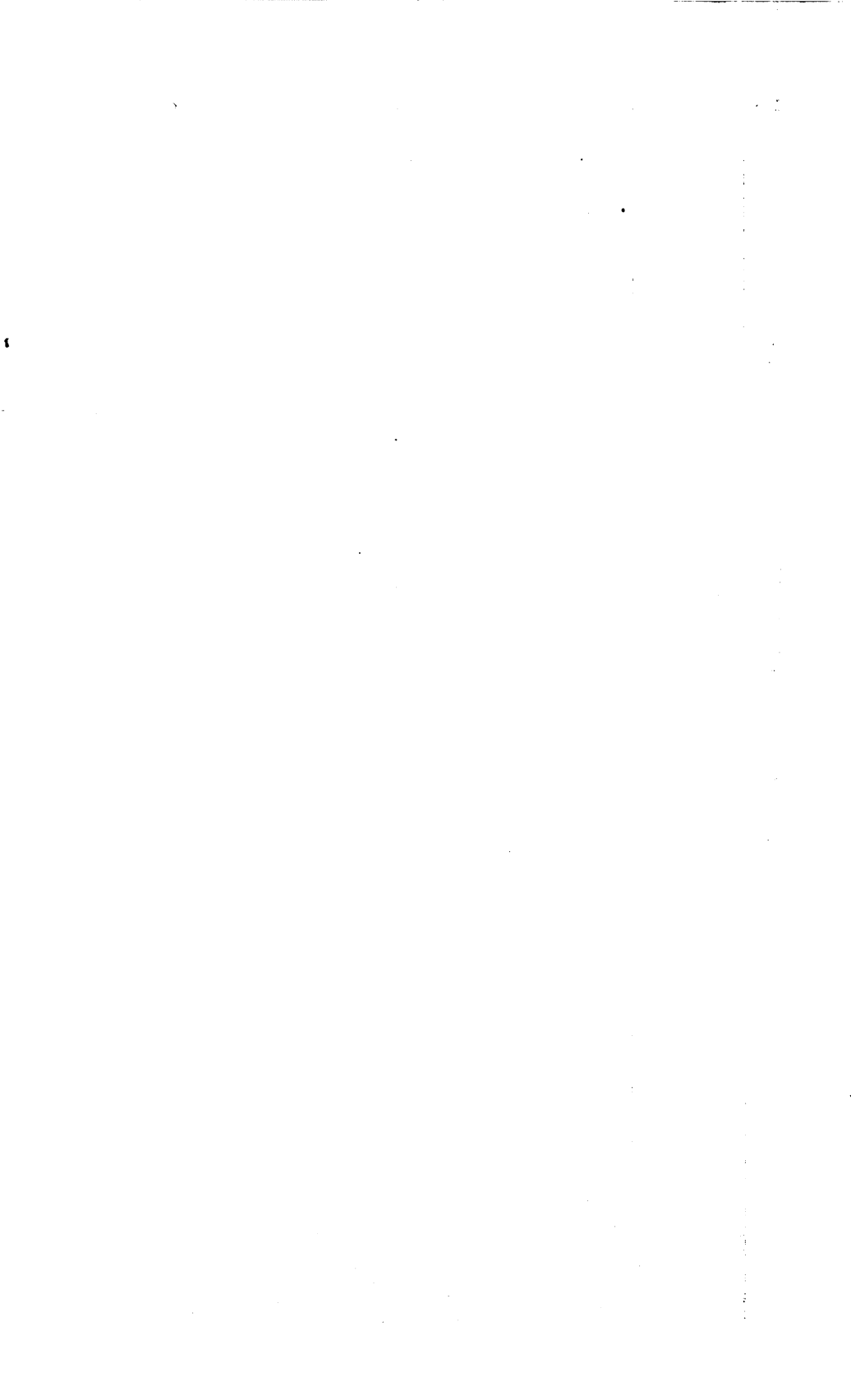
Notwithstanding the disturbed conditions of the last year, there was no decline in trade, but, on the other hand, a decided increase in

the volume of business transacted, and the convention continued to prove itself an efficient agency in the rehabilitation of the Republic's finances so long as it is followed in letter and spirit. The customs collections for the year amounted to \$3,645,974.79, surpassing all previous records and showing an advance over the preceding year of \$212,235.87, while the total was practically double the customs revenue of the year preceding the advent of the receivership.

The aggregate foreign trade of the Republic for the year amounted in full to \$17,945,208, an increase of \$837,894 over the preceding year. Of the total imports the United States supplied 60 per cent. Germany, the nearest competitor, supplied 12.68 per cent. The third year under the present tariff law has continued to show its efficiency as a revenue producer without the imposition of inequitable burdens.

A comparative statement of the customs service in the Dominican Republic under the receivership follows:





## REPORT OF CHIEF OF BUREAU OF INSULAR AFFAIRS.

*Statement, by fiscal years, of the customs service, Dominican Republic.*

	Under modus vivendi Apr. 1, 1905, to July 31, 1907.	Under convention of Feb. 8, 1907. <sup>1</sup>					Total.
		Aug. 1, 1907, to July 31, 1908.	Aug. 1, 1908, to July 31, 1909.	Aug. 1, 1909, to July 31, 1910.	Aug. 1, 1910, to July 31, 1911.	Aug. 1, 1911, to July 31, 1912.	
		DEBITS.					
Expenditures:							
Salaries and expenses, all ports.....	\$163,938.00	\$83,071.13	\$82,196.36	\$85,820.61	\$91,823.10	\$94,142.13	\$800,991.33
Salaries, office comptroller and general receiver.....	89,560.76	44,494.70	53,955.68	51,475.40	52,341.54	52,070.82	337,898.90
Interest and exchange.....	19,155.67	12,185.71	10,831.17	9,566.25	9,868.65	10,605.69	72,213.14
Operation of revenue-cutter service.....	114,682.39	29,125.69	33,261.25	29,532.18	35,653.08	30,926.58	273,161.17
Customs and frontier guard expense.....	102,797.09	42,086.75					144,892.84
Payments:							
Dominican Republic.....	2,897,100.81	1,408,137.61	1,846,942.00	1,408,527.60	2,022,000.00	1,966,200.00	11,548,908.02
Fiscal agency account.....	3,148,764.32	1,663,677.03	1,139,118.10	1,265,000.00	1,295,820.90	1,424,092.24	9,936,772.59
Indemnities.....	11,426.85	653.15		5,000.00			17,082.00
Railroad construction.....	143,557.98	30,837.75					174,495.73
Other disbursements:							
Refunds.....	16,382.81	6,866.40	5,043.50	5,225.31	13,219.43	21,624.31	68,361.76
Refundable collections refunded.....	29,536.58	14,155.28	13,145.02	13,091.85	14,597.06	15,523.76	100,049.55
Concession benefits.....	103,967.13	41,938.08	19,765.59	6,302.68			171,973.48
All other disbursements.....	10,919.39						10,919.39
Balances on hand July 31, 1912:							
Balance due Dominican Republic.....						3,390.90	3,390.90
Uncommitted balances in hands of deputy receivers.....						134,913.92	134,913.92
Building fund.....						40,500.00	40,500.00
Total.....	6,845,769.78	3,377,640.28	3,204,258.67	2,879,541.88	3,535,323.76	3,783,990.35	23,636,524.72
CREDITS.							
Collections:							
Gross customs receipts.....	6,815,756.49	3,454,955.41	3,345,712.67	2,863,874.32	3,419,141.86	3,630,451.03	23,529,891.78
Other receipts, personal fees refundable.....	29,536.58	14,155.28	13,677.04	13,101.85	14,597.06	15,523.76	100,591.57
Miscellaneous receipts.....	51.33			3,018.89	1,548.49	1,422.66	6,041.37
Total.....	6,845,344.40	3,469,110.69	3,359,389.71	2,879,995.06	3,435,287.41	3,647,397.45	23,636,524.72

<sup>1</sup> Effective Aug. 1, 1907.

**CIVIL OFFICERS IN THE INSULAR POSSESSIONS.**

Recommendations have been made in the annual reports of this bureau for several years that action by Congress be sought to provide for the retirement, after 10 or more years of satisfactory service, of certain classes of American civil officers of the Philippine government. It grows, and must continue to grow, more difficult to find qualified Americans who, under the conditions, feel that they can sacrifice an important part of their lives in the insular service unless some reasonable assurance of a livelihood, after they are compelled to leave the Tropics and return to their own country, is given. It has been estimated that expenditures under the plan suggested would probably never exceed \$100,000 annually, and would be a charge against Philippine revenues, since it is the Philippines that would derive the benefits of this encouragement to efficiency on the part of Americans occupying the higher offices of the government. The recommendation heretofore made is renewed.

**BOARD OF VISITORS FOR THE INSULAR POSSESSIONS.**

The suggestion made in the last annual report of this bureau for legislative provision for boards of visitors to the insular possessions after each short session of Congress is believed worth emphasizing again. Such biennial inspections of the insular possessions by representatives of the executive and legislative branches of the Government could hardly fail, it is thought, to result beneficially.

**LAW OFFICER.**

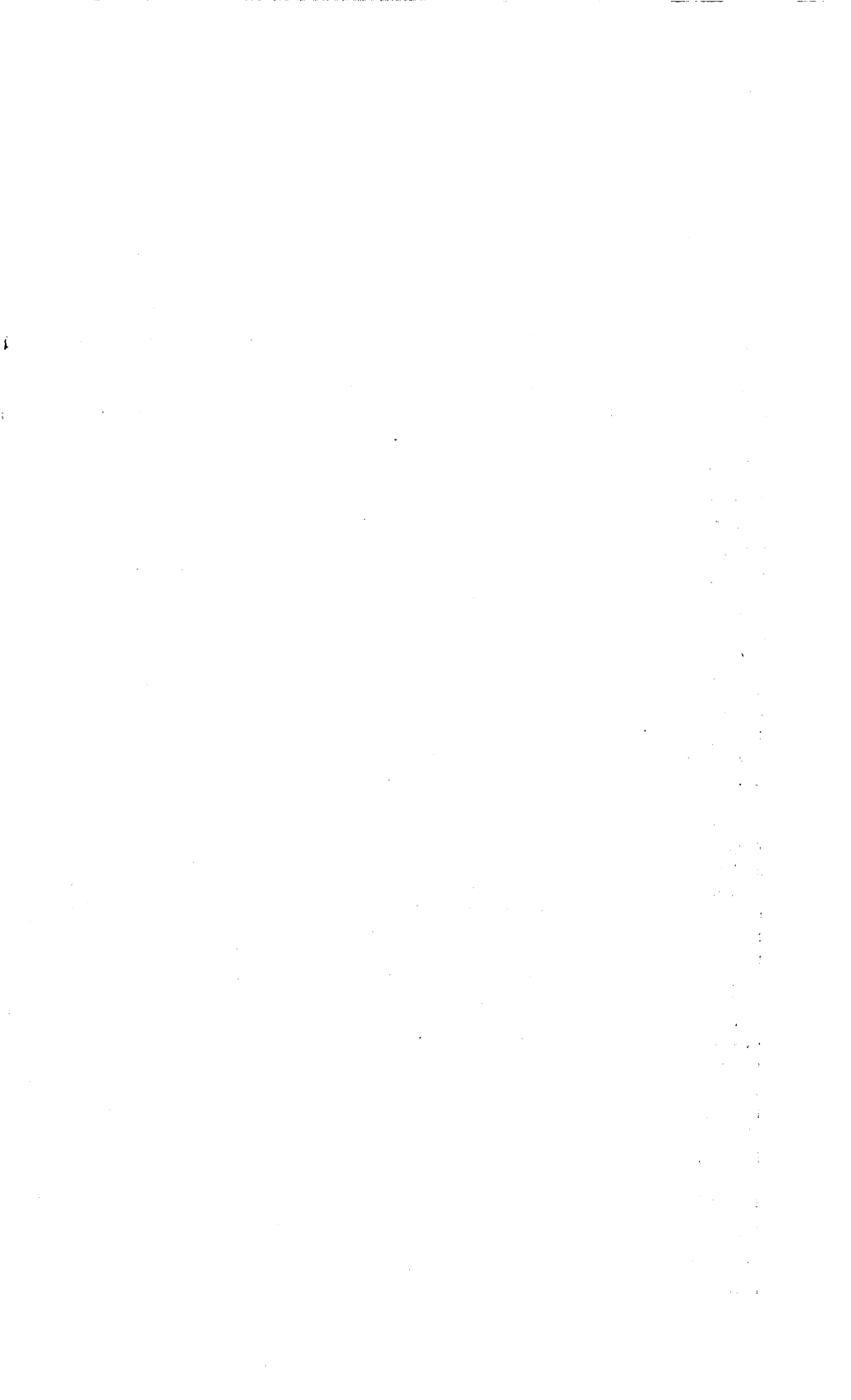
Mr. Felix Frankfurter has continued as law officer of the bureau throughout the year, and the problems affecting the insular possessions and their relations to the United States which constantly arise in new form for solution, as well as the preparation for and conduct of cases where the insular governments may be a party coming before the courts of the United States, have fully occupied his time and made the office one of continued importance to the bureau. The recommendation made in the last annual report for provision for a law clerk in his office is, in the interest of economy and increased efficiency, renewed.

**PERSONNEL.**

Gen. Clarence R. Edwards, the chief of this bureau from its organization, has been recommissioned as brigadier general in the line of the Army.

As chief of this bureau he was so loyal to his superiors—the several Secretaries of War—and so prone to attribute the success of the work of the bureau to his subordinates that only those persons inti-





mately acquainted with the working of the bureau understood how absolutely the organization and work of the bureau were due to Gen. Edwards himself.

His devotion to the bureau and his hard work in carrying out successfully every task assigned to it, to the serious injury of health, at one time endangering his life, have been fully appreciated by his subordinates.

Gen. Edwards leaves the bureau manned by a most loyal force of subordinates and with the best of relations between it and the governments over the seas represented by it here.

Maj. George H. Shelton, having completed a tour of duty in the bureau, was relieved on November 30 and assigned to duty with his regiment.

Maj. Shelton, who was then a member of the General Staff of the Army, was in 1908, because of special fitness, detailed for duty with this bureau. He had served both in the Philippines and in Porto Rico and had a thorough knowledge of conditions as we found them in the several islands and of the changes under American direction.

Maj. Shelton gave the uniformly excellent service here which is expected of him in every duty to which assigned.

The vacancy created by the loss of Gen. Edwards was filled by the appointment of Col. McIntyre, the senior assistant, and the vacancy thus created has been filled by the detail of Col. Charles C. Walcutt, jr., to duty in the bureau.

The following, taken from the last annual report of the bureau, is a fair portrayal of the work and conditions of its personnel:

The officers and clerks of the bureau, almost without exception, have performed the varied duties falling up them during the year with marked fidelity and efficiency. Work of a more varied character probably falls to the lot of this bureau than any other under the Government. Within the range of its activities, touching every governmental problem connected with the administrative control of 9,000,000 people, it has to do with every branch of government—executive, legislative, and judicial. Upon its clerical force there necessarily falls a mass of work of wide variety and great detail, and comparatively little of a purely routine nature. Only exceptional intelligence and industry on the part of the individual members of this force have enabled the bureau fully to meet the obligations falling upon it in its dual capacity of agent, on the one hand, of the insular governments for the transaction of their business in the United States, and, on the other, of the Federal Government in its relations with the islands. The steadily widening activities of the insular possessions, moreover, is reflected in the increased volume of work coming into the bureau.

The scope of the bureau's work makes it an attractive place to the young man of intelligence and ambition seeking to enter the Government service, but, unfortunately, the limited personnel authorized and the low salaries offered even in the higher places do not afford opportunities for promotion suited to the class of employees essential for success in its work and desirous not only of entering but remaining in the service. The bureau has suffered seriously in

this respect from transfers and resignations of exceptionally desirable men, who have been forced to seek other positions where the opportunities are greater and for which their experience in the bureau has helped especially to fit them.

In this way the services of many clerks are lost just at the time their training has rendered them of real value to the bureau. Men lost in this way can not be replaced by others equally qualified, and the bureau's only recourse is to train others anew, and frequently to no better end than to see them similarly transferred to other fields of usefulness. The records have been traced in a number of instances of men who have been transferred or resigned from the bureau in the past, and almost invariably, where traceable, the record discloses that the change, whatever it has cost the bureau in efficiency, has been profitable to the individual. More than a hundred employees—nearly double the present entire clerical force—have thus left the office of their own accord within the last 10 years.

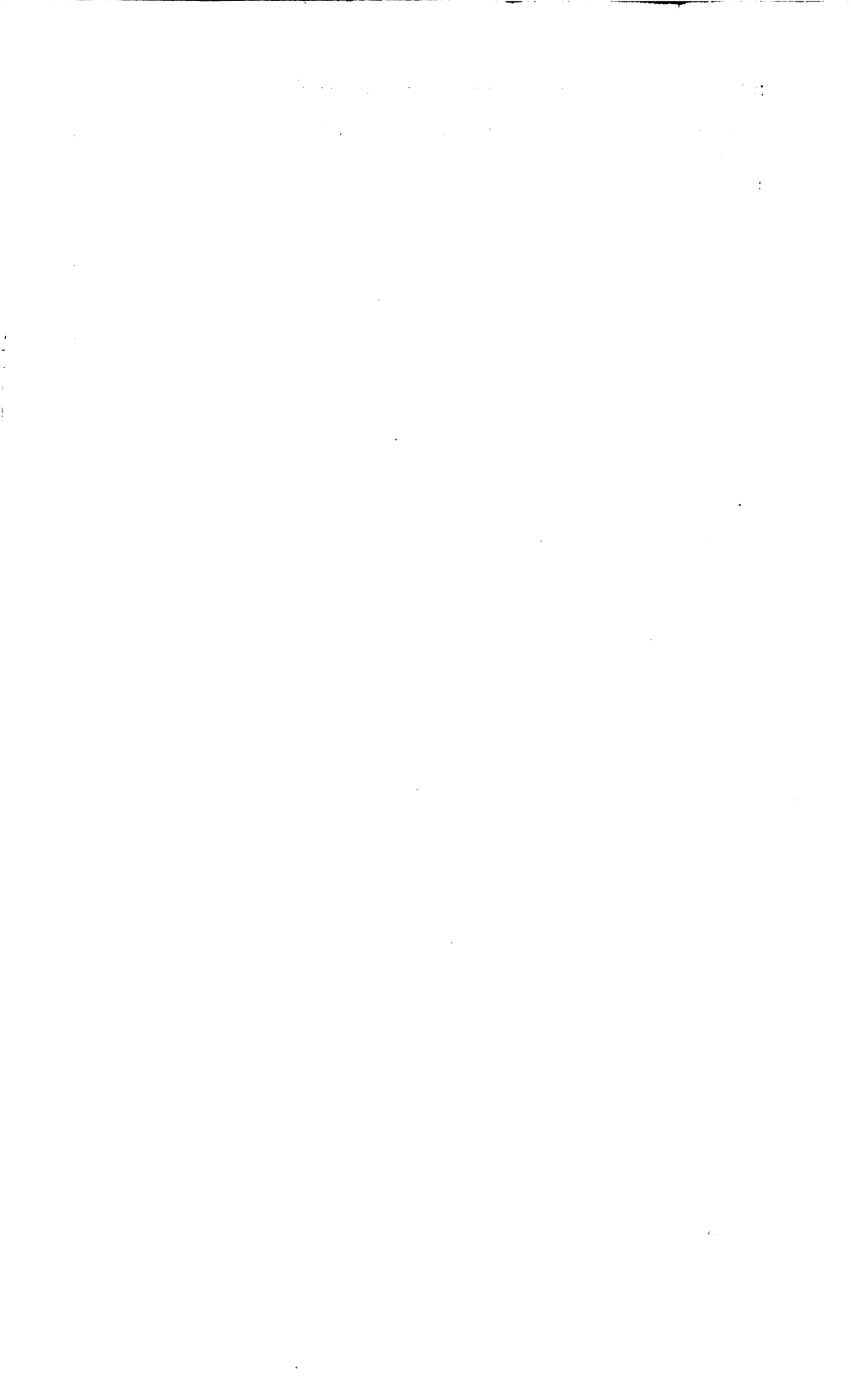
The salaries throughout have been markedly lower than is commensurate with the character of the work. The highest salary in the bureau is \$2,000, which is allowed to but one clerk. The appropriation provides for no chiefs of divisions, but experience has shown an organization of the office by divisions essential, and the records of the clerks detailed as chiefs of the various divisions show an unselfish and praiseworthy loyalty and practical results in the way of quality and quantity of work, I believe, rarely equalled. It would be but partial justice to provide salaries of \$2,000 for each of the chiefs of the six main divisions of the bureau.

During the past few years transfers for the purpose of improving their condition have made regrettable inroads upon the clerks of the \$1,200 and \$1,000 classes—men trained to their work and of much greater value to the bureau—but for whom no opportunities for promotion could be found on account of the limited number of clerks authorized at \$1,400 and \$1,600. To relieve this condition there should be a material increase in the number of places in the bureau drawing salaries at the rates last named.

The estimates of the bureau submitted for the fiscal year 1914 provided for an increase of \$500 in the salary of the chief clerk, five chiefs of division at \$2,000 per annum, with a corresponding reduction in the number of \$1,800 positions, an increase from 3 to 8 in the \$1,600 positions, and an increase from 10 to 11 of \$1,400 positions, with a decrease from 19 to 13 of the \$1,200 grade and the abolition of three \$1,000 clerical positions and one \$660 laborer. Under this proposed readjustment the total amount appropriated would be only \$40 more than the total appropriation for the present fiscal year.

As indicated above, the inability of the bureau to retain competent and efficient clerks has been a serious handicap to it, and the estimates were submitted with a view to creating greater permanence in the regular force, to equalize the number of positions in the several grades (there being but three \$1,600 positions at present), to furnish an incentive in providing greater possibilities for promotion to the clerks of the lower grades, and to give immediate promotion to several deserving clerks.





With a permanent force it is possible for the bureau to perform its work in a more expeditious and efficient manner than it can with a larger force which is constantly shifting. Experience has demonstrated, however, that it is impossible to keep efficient and desirable clerks with the small number of higher salaried positions.

My personal gratitude is due the entire personnel of the bureau for its loyalty, industry, and efficiency, and I renew the recommendation made in the last annual report of this bureau that some adequate provision be made for the retirement of clerks who, after long and faithful service, through age or illness have become incapacitated for further efficient work.

Respectfully submitted.

FRANK MCINTYRE,  
*Brigadier General, United States Army,*  
*Chief of Bureau.*

THE SECRETARY OF WAR.